

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
Combined Operations

<u>Description</u>	(1) <u>Per</u> <u>Application</u> \$	(2) <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> \$	(3) <u>After</u> <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> \$	(4) <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> \$	(5) <u>After</u> <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> \$
<u>Operating Revenues:</u>					
Utility Operating Revenues	9,477,169	140,147 (1)	9,617,316	615,000 (21)	10,232,316
<u>Total Operating Revenues</u>	<u>9,477,169</u>	<u>140,147</u>	<u>9,617,316</u>	<u>615,000</u>	<u>10,232,316</u>
<u>Operating Expenses:</u>					
Operating Expenses	6,888,756	(560,919) (2)	6,327,837	0	6,327,837
Depreciation and Amortization Expenses	851,478	203,607 (3)	1,055,085	0	1,055,085
Amortization of Utility Plant Acquisition - Water Rights	43,256	(22,294) (4)	20,962	0	20,962
Amortization Expense - Other	0	73,383 (5)	73,383	0	73,383
Utility Regulatory Assessment Fees	0	68,166 (6)	68,166	4,359 (22)	72,525
Property Taxes	487,467	81,655 (7)	569,122	0	569,122
Payroll Taxes	69,389	7,907 (8)	77,296	0	77,296
Other Taxes and Licenses	162,256	(51,845) (9)	110,411	1,845 (23)	112,256
Federal Income Taxes	(490,598)	650,117 (10)	159,519	121,455 (24)	280,974
State Income Taxes	(102,585)	142,565 (11)	39,980	30,440 (25)	70,420
Deferred Federal Income Taxes	500,510	(500,510) (12)	0	0	0
Deferred State Income Taxes	94,322	(94,322) (13)	0	0	0
<u>Total Operating Expenses</u>	<u>8,504,251</u>	<u>(2,490)</u>	<u>8,501,761</u>	<u>158,099</u>	<u>8,659,860</u>
<u>Net Utility Operating Income (Loss)</u>	<u>972,918</u>	<u>142,637</u>	<u>1,115,555</u>	<u>456,901</u>	<u>1,572,456</u>
<u>Other Operating Income</u>					
Gains (Losses) from Disposition of Utility Property	(44,841)	44,841 (14)	0	0	0
Add: Customer Growth	0	0	0	21,743 (26)	21,743
Add: Amortization of Excess Accumulated Deferred Income Tax	0	0	0	35,168 (27)	35,168
<u>Net Income (Loss) for Return</u>	<u>928,077</u>	<u>187,478</u>	<u>1,115,555</u>	<u>513,812</u>	<u>1,629,367</u>
<u>Original Cost Rate Base: Combined</u>					
Gross Plant in Service	55,097,995	1,839,517 (15)	56,937,512	0	56,937,512
Accumulated Depreciation	(22,922,989)	(1,391,186) (16)	(24,314,175)	0	(24,314,175)
Net Plant in Service	32,175,006	448,331	32,623,337	0	32,623,337
Contributions in Aid of Construction (CIAC)	(17,368,022)	0	(17,368,022)	0	(17,368,022)
Accumulated Amortization of CIAC	8,697,105	385,259 (17)	9,082,364	0	9,082,364
Accumulated Deferred Income Taxes	(992,271)	119,705 (18)	(872,566)	0	(872,566)
Excess Deferred Income Taxes (EDIT)	(672,744)	0	(672,744)	0	(672,744)
Materials and Supplies	416,741	0	416,741	0	416,741
Prepayments	95,590	0	95,590	0	95,590
Cash Working Capital	861,095	(70,115) (19)	790,980	0	790,980
<u>Total Rate Base</u>	<u>23,212,500</u>	<u>883,180</u>	<u>24,095,680</u>	<u>0</u>	<u>24,095,680</u>
<u>Return on Rate Base</u>	<u>4.00%</u>		<u>4.63%</u>		<u>6.76%</u>
<u>Operating Margin</u>	<u>0.31%</u>		<u>6.24%</u>		<u>10.89%</u>
<u>Interest Expense</u>	<u>898,913</u>	<u>(383,454) (20)</u>	<u>515,459</u>	<u>0</u>	<u>515,459</u>

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
Water Operations

<u>Description</u>	(1) <u>Per</u> <u>Application</u> <u>\$</u>	(2) <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> <u>\$</u>	(3) <u>After</u> <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> <u>\$</u>	(4) <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> <u>\$</u>	(5) <u>After</u> <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> <u>\$</u>
<u>Operating Revenues:</u>					
Utility Operating Revenues	7,308,931	54,782 (1)	7,363,713	615,000 (21)	7,978,713
<u>Total Operating Revenues</u>	<u>7,308,931</u>	<u>54,782</u>	<u>7,363,713</u>	<u>615,000</u>	<u>7,978,713</u>
<u>Operating Expenses:</u>					
Operating Expenses	5,396,456	(240,219) (2)	5,156,237	0	5,156,237
Depreciation and Amortization Expenses	579,841	161,337 (3)	741,178	0	741,178
Amortization of Utility Plant Acquisition - Water Rights	43,256	(22,294) (4)	20,962	0	20,962
Amortization Expense - Other	0	21,522 (5)	21,522	0	21,522
Utility Regulatory Assessment Fees	0	52,193 (6)	52,193	4,359 (22)	56,552
Property Taxes	287,924	167,796 (7)	455,720	0	455,720
Payroll Taxes	40,985	4,671 (8)	45,656	0	45,656
Other Taxes and Licenses	95,837	(20,537) (9)	75,300	1,845 (23)	77,145
Federal Income Taxes	(4,589,162)	4,664,864 (10)	75,702	121,455 (24)	197,157
State Income Taxes	(959,604)	978,577 (11)	18,973	30,440 (25)	49,413
Deferred Federal Income Taxes	4,681,887	(4,681,887) (12)	0	0	0
Deferred State Income Taxes	882,310	(882,310) (13)	0	0	0
<u>Total Operating Expenses</u>	<u>6,459,730</u>	<u>203,713</u>	<u>6,663,443</u>	<u>158,099</u>	<u>6,821,542</u>
<u>Net Utility Operating Income (Loss)</u>	<u>849,201</u>	<u>(148,931)</u>	<u>700,270</u>	<u>456,901</u>	<u>1,157,171</u>
<u>Other Operating Income</u>					
Gains (Losses) from Disposition of Utility Property	(45,452)	45,452 (14)	0	0	0
Add: Customer Growth	0	0	0	17,582 (26)	17,582
Add: Amortization of Excess Accumulated Deferred Income Tax	0	0	0	27,818 (27)	27,818
<u>Net Income (Loss) for Return</u>	<u>803,749</u>	<u>(103,479)</u>	<u>700,270</u>	<u>502,301</u>	<u>1,202,571</u>
<u>Original Cost Rate Base: Water</u>					
Gross Plant in Service	33,250,642	1,544,011 (15)	34,794,653	0	34,794,653
Accumulated Depreciation	(11,555,949)	(774,322) (16)	(12,330,271)	0	(12,330,271)
Net Plant in Service	21,694,693	769,689	22,464,382	0	22,464,382
Contributions in Aid of Construction (CIAC)	(5,860,751)	0	(5,860,751)	0	(5,860,751)
Accumulated Amortization of CIAC	2,757,281	130,008 (17)	2,887,289	0	2,887,289
Accumulated Deferred Income Taxes	(784,865)	94,684 (18)	(690,181)	0	(690,181)
Excess Deferred Income Taxes (EDIT)	(532,126)	0	(532,126)	0	(532,126)
Materials and Supplies	416,741	0	416,741	0	416,741
Prepayments	92,362	0	92,362	0	92,362
Cash Working Capital	674,557	(30,027) (19)	644,530	0	644,530
<u>Total Rate Base</u>	<u>18,457,892</u>	<u>964,354</u>	<u>19,422,246</u>	<u>0</u>	<u>19,422,246</u>
<u>Return on Rate Base</u>	<u>4.35%</u>		<u>3.61%</u>		<u>6.19%</u>
<u>Operating Margin</u>	<u>3.73%</u>		<u>3.87%</u>		<u>9.86%</u>
<u>Interest Expense</u>	<u>530,947</u>	<u>(115,463) (20)</u>	<u>415,484</u>	<u>0</u>	<u>415,484</u>

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
Sewer Operations

<u>Description</u>	(1) <u>Per</u> <u>Application</u> \$	(2) <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> \$	(3) <u>After</u> <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> \$	(4) <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> \$	(5) <u>After</u> <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> \$
<u>Operating Revenues:</u>					
Utility Operating Revenues	2,168,238	85,365 (1)	2,253,603	0 (21)	2,253,603
<u>Total Operating Revenues</u>	<u>2,168,238</u>	<u>85,365</u>	<u>2,253,603</u>	<u>0</u>	<u>2,253,603</u>
<u>Operating Expenses:</u>					
Operating Expenses	1,492,300	(320,700) (2)	1,171,600	0	1,171,600
Depreciation and Amortization Expenses	271,637	42,270 (3)	313,907	0	313,907
Amortization of Utility Plant Acquisition Adjustments	0	0 (4)	0	0	0
Amortization Expense - Other	0	51,861 (5)	51,861	0	51,861
Utility Regulatory Assessment Fees	0	15,973 (6)	15,973	0 (22)	15,973
Property Taxes	199,543	(86,141) (7)	113,402	0	113,402
Payroll Taxes	28,404	3,236 (8)	31,640	0	31,640
Other Taxes and Licenses	66,419	(31,308) (9)	35,111	0 (23)	35,111
Federal Income Taxes	4,098,564	(4,014,747) (10)	83,817	0 (24)	83,817
State Income Taxes	857,019	(836,012) (11)	21,007	0 (25)	21,007
Deferred Federal Income Taxes	(4,181,377)	4,181,377 (12)	0	0	0
Deferred State Income Taxes	(787,988)	787,988 (13)	0	0	0
<u>Total Operating Expenses</u>	<u>2,044,521</u>	<u>(206,203)</u>	<u>1,838,318</u>	<u>0</u>	<u>1,838,318</u>
<u>Net Utility Operating Income (Loss)</u>	<u>123,717</u>	<u>291,568</u>	<u>415,285</u>	<u>0</u>	<u>415,285</u>
<u>Other Operating Income</u>					
Gains (Losses) from Disposition of Utility Property	611	(611) (14)	0	0	0
Add: Customer Growth	0	0	0	4,161 (26)	4,161
Add: Amortization of Excess Accumulated Deferred Income Tax	0	0	0	7,350 (27)	7,350
<u>Net Income (Loss) for Return</u>	<u>124,328</u>	<u>290,957</u>	<u>415,285</u>	<u>11,511</u>	<u>426,796</u>
<u>Original Cost Rate Base: Sewer</u>					
Gross Plant in Service	21,847,353	295,506 (15)	22,142,859	0	22,142,859
Accumulated Depreciation	(11,367,040)	(616,864) (16)	(11,983,904)	0	(11,983,904)
Net Plant in Service	10,480,313	(321,358)	10,158,955	0	10,158,955
Contributions in Aid of Construction (CIAC)	(11,507,271)	0	(11,507,271)	0	(11,507,271)
Accumulated Amortization of CIAC	5,939,824	255,251 (17)	6,195,075	0	6,195,075
Accumulated Deferred Income Taxes	(207,406)	25,021 (18)	(182,385)	0	(182,385)
Excess Deferred Income Taxes (EDIT)	(140,618)	0	(140,618)	0	(140,618)
Materials and Supplies	0	0	0	0	0
Prepayments	3,228	0	3,228	0	3,228
Cash Working Capital	186,538	(40,088) (19)	146,450	0	146,450
<u>Total Rate Base</u>	<u>4,754,608</u>	<u>(81,174)</u>	<u>4,673,434</u>	<u>0</u>	<u>4,673,434</u>
<u>Return on Rate Base</u>	<u>2.61%</u>		<u>8.89%</u>		<u>9.13%</u>
<u>Operating Margin</u>	<u>-11.24%</u>		<u>13.99%</u>		<u>14.50%</u>
<u>Interest Expense</u>	<u>367,966</u>	<u>(267,991) (20)</u>	<u>99,975</u>	<u>0</u>	<u>99,975</u>

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #			\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Description					
<u>Accounting and Pro forma Adjustments</u>					
(1)	<u>Utility Operating Revenues</u>				
(1)	(A)	To adjust revenue based the number of customers as of September 2021 at current tariffed rates.			
		Per Settlement	259,647	130,532	129,115
		Per KIU	259,647	130,532	129,115
(2)	(B)	To remove tap-in revenue.			
		Per Settlement	(119,500)	(75,750)	(43,750)
		Per KIU	(119,500)	(75,750)	(43,750)
	(C)	To normalize fire hydrant rental revenues.			
		Per Settlement	0	0	0
		Per KIU	0	0	0
(1)	<u>Total Utility Operating Revenues Adjustment</u>				
		Total Per Settlement	140,147	54,782	85,365
		Per KIU	140,147	54,782	85,365
(2)	<u>Operating Expenses</u>				
(3)	(A)	To annualize payroll related expenses to reflect known and measurable increases in effect for 2022 based on payroll information. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	121,384	71,702	49,682
		Per KIU	94,492	55,816	38,676
(4)	(B)	To increase purchased water costs to reflect increased costs charged by St. John's Water Company.			
		Per Settlement	238,229	238,229	0
		Per KIU	238,229	238,229	0

Kiawah Island Utility, Inc.
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For the Test Year Ended December 31, 2020

KIU Settlement <u>Adj. #</u> <u>Adj. #</u>			\$	\$	\$
		Description	Combined Operations	Water Operations	Sewer Operations
(5)	(C)	To increase purchased power for Santee Cooper settlement.			
		Per Settlement	27,682	16,352	11,330
		Per KIU	27,682	16,352	11,330
(6)	(D)	To remove tap-in expenses.			
		Per Settlement	(119,500)	(75,750)	(43,750)
		Per KIU	(119,500)	(75,750)	(43,750)
(7)	(E)	To adjust accounting costs for known audit costs. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	339	200	139
		Per KIU	339	200	139
(8)	(F)	To remove nonrecurring legal fees. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	(313,423)	(185,139)	(128,284)
		Per KIU	(313,423)	(185,139)	(128,284)
(9)	(G)	To adjust for SWWC management fees to reflect the 3-factor overhead allocation. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	(517,522)	(305,700)	(211,822)
		Per KIU	(436,606)	(257,903)	(178,703)
(10)	(H)	To amortize rate case expenses over two years. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	11,952	7,060	4,892
		Per KIU	(47,517)	(28,062)	(19,455)
(11)	(I)	To remove nonallowable expenses.			
		Per Settlement	(10,060)	(7,173)	(2,887)
		Per KIU	(3,006)	(3,006)	0
(2)	<u>Total Operating Expenses Adjustment</u>				
		Total Per Settlement	(560,919)	(240,219)	(320,700)
		Total Per KIU	(559,310)	(239,263)	(320,047)

Kiawah Island Utility, Inc.
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Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. #Adj. #			\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
		Description			
(12)	(3)	<u>Depreciation & Amortization Expenses</u>			
	(A)	To adjust depreciation and amortization for 2021 calculated depreciation, pro forma assets placed in service in 2021, and allocated corporate overhead depreciation.			
		Per Settlement	143,607	101,337	42,270
		Per KIU	236,788	158,130	78,658
	(B)	To adjust amortization expense for secondary water line incremental pipeline costs regulatory asset of \$1,800,000 over 30 years.			
		Per Settlement	60,000	60,000	0
		Per KIU	0	0	0
	(3)	<u>Total Depreciation & Amortization Expense Adjustment</u>			
		Total Per Settlement	203,607	161,337	42,270
		Total Per KIU	236,788	158,130	78,658
(13)	(4)	<u>Amortization of Utility Plant Acquisition - Water Rights</u>			
		To adjust for fully amortized impact agreement.			
		Per Settlement	(22,294)	(22,294)	0
		Per KIU	(22,294)	(22,294)	0
(14)	(5)	<u>Amortization Expense - Other</u>			
		To amortize known and measurable maintenance costs incurred for sludge removal, tank painting, and Covid-19 personal protective equipment.			
		Per Settlement	73,383	21,522	51,861
		Per KIU	73,383	21,522	51,861
	(6)	<u>Utility Regulatory Assessment Fees</u>			
(15)	(A)	To reclass test year gross receipts tax recorded in other taxes and licenses. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	54,372	32,118	22,254
		Per KIU	51,748	30,568	21,180

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For the Test Year Ended December 31, 2020

KIU Settlement Adj. #Adj. #			\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
		Description			
(16)	(B)	To adjust gross receipts tax after the accounting and pro forma adjustments using a factor of .708793%.			
		Per Settlement	13,794	20,075	(6,281)
		Per KIU	(8)	(5)	(3)
(6)		<u>Total Utility Regulatory Assessment Fees Adjustment</u>			
		Total Per Settlement	68,166	52,193	15,973
		Total Per KIU	51,740	30,563	21,177
(17)	(7)	<u>Property Taxes</u>			
		To adjust property taxes for expected increase.			
		Per Settlement	81,655	167,796	(86,141)
		Per KIU	146,926	86,789	60,137
(18)	(8)	<u>Payroll Taxes</u>			
		To increase payroll tax for payroll increase. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	7,907	4,671	3,236
		Per KIU	5,559	3,284	2,275
(9)		<u>Other Taxes and Licenses</u>			
(19)	(A)	To remove gross receipts tax recorded in other taxes and licenses. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	(54,372)	(32,118)	(22,254)
		Per KIU	(51,748)	(30,568)	(21,180)
(20)	(B)	To adjust corporate license fee for proforma fair market value (.001) and revenue changes (.003).			
		Per Settlement	2,527	11,581	(9,054)
		Per KIU	4,649	2,746	1,903
(9)		<u>Total Other Taxes and Licenses Adjustment</u>			
		Total Per Settlement	(51,845)	(20,537)	(31,308)
		Total Per KIU	(47,099)	(27,822)	(19,277)

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KIU Settlement Adj. #Adj. #			\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
		Description			
(21)	(10)	<u>Federal Income Taxes</u>			
		To adjust federal income taxes on pro forma income at 21%.			
		Per Settlement	650,117	4,664,864	(4,014,747)
		Per KIU	621,309	4,702,794	(4,081,485)
(21)	(11)	<u>State Income Taxes</u>			
		To adjust state income taxes on pro forma income at 5%.			
		Per Settlement	142,565	978,577	(836,012)
		Per KIU	135,344	988,083	(852,739)
(22)	(12)	<u>Deferred Federal Income Taxes</u>			
		To remove deferred federal income tax expense.			
		Per Settlement	(500,510)	(4,681,887)	4,181,377
		Per KIU	(500,510)	(4,681,887)	4,181,377
(22)	(13)	<u>Deferred State Income Taxes</u>			
		To remove deferred state income tax expense.			
		Per Settlement	(94,322)	(882,310)	787,988
		Per KIU	(94,322)	(882,310)	787,988
(23)	(14)	<u>Other Operating Income</u>			
		To reverse gains / losses on disposition of property.			
		Per Settlement	44,841	45,452	(611)
		Total Per KIU	44,841	45,452	(611)
(15)		<u>Gross Plant In Service</u>			
		To adjust gross plant in service as of 12/31/21.			
		Per Settlement	1,839,517	1,544,011	295,506
		Per KIU	4,200,881	3,828,264	372,617

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KIU Settlement Adj. # Adj. #			\$	\$	\$
		Description	Combined Operations	Water Operations	Sewer Operations
(16)		<u>Accumulated Depreciation</u>			
		To adjust accumulated depreciation as of 12/31/21.			
		Per Settlement	(1,391,186)	(774,322)	(616,864)
		Per KIU	(1,023,987)	(660,696)	(363,291)
(17)		<u>Accumulated Amortization of CIAC</u>			
		To adjust accumulated amortization of contributions in aid of construction as of 12/31/21.			
		Per Settlement	385,259	130,008	255,251
		Per KIU	385,259	130,008	255,251
(18)		<u>Accumulated Deferred Income Taxes</u>			
		To adjust accumulated deferred income taxes.			
		Per Settlement	119,705	94,684	25,021
		Per KIU	119,705	94,684	25,021
(19)		<u>Cash Working Capital</u>			
		To adjust cash working capital after accounting and pro forma adjustments.			
		Per Settlement	(70,115)	(30,027)	(40,088)
		Per KIU	(69,914)	(29,908)	(40,006)
(24)	(20)	<u>Interest Expense</u>			
		To synchronize interest expense with the portion of rate base financed by debt.			
		Per Settlement	(383,454)	(115,463)	(267,991)
		Per KIU	(325,084)	(192,027)	(133,057)

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #			\$	\$	\$
		Description	Combined Operations	Water Operations	Sewer Operations
<u>Settlement Proposed Adjustment</u>					
(25)	(21)	<u>Utility Operating Revenues</u>			
		To adjust revenues to reflect the settlement rates.			
		Per Settlement	615,000	615,000	0
		Per KIU	1,355,996	1,101,606	254,390
(26)	(22)	<u>Utility Regulatory Assessment Fees</u>			
		To increase gross receipts after settlement adjustment using a factor of .708793%.			
		Per Settlement	4,359	4,359	0
		Per KIU	9,611	7,808	1,803
(27)	(23)	<u>Other Taxes and Licenses</u>			
		To increase the corporate license fee after settlement adjustment.			
		Per Settlement	1,845	1,845	0
		Per KIU	4,068	3,305	763
(28)	(24)	<u>Federal Income Taxes</u>			
		To adjust federal income taxes after settlement adjustment using a 21% tax rate.			
		Per Settlement	121,455	121,455	0
		Per KIU	267,792	217,553	50,239
(28)	(25)	<u>State Income Taxes</u>			
		To adjust state income taxes after settlement adjustment using a 5% tax rate.			
		Per Settlement	30,440	30,440	0
		Per KIU	67,116	54,525	12,591

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement <u>Adj. #</u> <u>Adj. #</u>			\$	\$	\$
		Description	Combined Operations	Water Operations	Sewer Operations
(29)	(26)	<u>Customer Growth</u>			
		To adjust for customer growth based on the total operating income after settlement adjustment. The customer growth factors are 1.5194% for water and 1.0019% for sewer.			
		Per Settlement	21,743	17,582	4,161
		Per KIU	28,971	24,080	4,891
(30)	(27)	<u>Amortization of Excess Accumulated Deferred Income Tax</u>			
		To adjust for the annual amortization of excess accumulated deferred income taxes due to the Tax Cuts and Jobs Act.			
		Per Settlement	35,168	27,818	7,350
		Per KIU	35,168	27,817	7,351

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Computation of Depreciation & Amortization Expense
For the Test Year Ended December 31, 2020

	<u>Combined Operations</u>	<u>Asset Class</u>	<u>Water Operations</u>	<u>Asset Class</u>	<u>Sewer Operations</u>
	\$		\$		\$
<u>Plant in Service</u>					
Land and Land Rights	5,268,252	303.2	3,468,252	353.6	1,800,000
Structures & Improvements	16,113,909	304.2	12,717,812	354.4	3,396,097
Wells	171,381	307.2	171,381	N/A	0
Water Treatment	49,679	N/A	0	355.4	49,679
Collections Sewers - Gravity	13,649,037	N/A	0	360.2	13,649,037
Collections Sewers - Force	2,141,766	N/A	0	361.2	2,141,766
Pumping Equipment	1,449,612	311.2	1,117,843	371.3	331,769
Aquifer Storage & Recovery (ASR) Equipment	1,340,815	330.4	1,340,815	N/A	0
Mains	10,459,792	331.4	10,459,792	N/A	0
Meter & Meter Installation	1,718,873	334.4	1,718,873	N/A	0
Fire Hydrants	284,840	335.4	284,840	N/A	0
Other Plant & Miscellaneous Equipment	1,042,889	339.4	917,292	389.4	125,597
Office Furniture & Equipment	297,538	340.5	130,305	390.7	167,233
Transportation Equipment	595,602	341.5	294,151	391.7	301,451
Tools, Shop, and Garage	20,994	343.5	10,497	393.7	10,497
Equipment - Meter	1,050	N/A	0	394.7	1,050
Communication Equipment	2,278	346.5	1,139	396.7	1,139
Miscellaneous Equipment	9,596	347.5	4,798	397.7	4,798
Impact Fees (Water Rights)	1,921,989	302.1	1,921,989	N/A	0
Gross Plant in Service - KIU	<u>56,539,892</u>		<u>34,559,779</u>		<u>21,980,113</u>
SWWC - Plant In Service Allocation	<u>397,620</u>	N/A	<u>234,874</u>	N/A	<u>162,746</u>
Total Gross Plant in Service	<u><u>56,937,512</u></u>		<u><u>34,794,653</u></u>		<u><u>22,142,859</u></u>
Contributions in Aid of Construction (CIAC)	(17,368,022)	331.4.C	(5,860,751)	360.2.C	(11,507,271)
<u>Depreciation Expense</u>					
Land and Land Rights	0	303.2	0	353.6	0
Structures & Improvements	357,293	304.2	268,399	354.4	88,894
Wells	9,272	307.2	9,272	N/A	0
Water Treatment	1,771	N/A	0	355.4	1,771
Collections Sewers - Gravity	307,981	N/A	0	360.2	307,981
Collections Sewers - Force	52,729	N/A	0	361.2	52,729
Pumping Equipment	73,526	311.2	46,172	371.3	27,354
Aquifer Storage & Recovery (ASR) Equipment	31,795	330.4	31,795	N/A	0
Mains	242,568	331.4	242,568	N/A	0
Meter & Meter Installation	58,953	334.4	58,953	N/A	0
Fire Hydrants	7,301	335.4	7,301	N/A	0
Other Plant & Miscellaneous Equipment	62,724	339.4	55,196	389.4	7,528
Office Furniture & Equipment	17,508	340.5	4,758	390.7	12,750
Transportation Equipment	61,118	341.5	30,559	391.7	30,559
Tools, Shop, and Garage	1,400	343.5	700	393.7	700
Equipment - Meter	210	N/A	0	394.7	210
Communication Equipment	456	346.5	228	396.7	228
Miscellaneous Equipment	960	347.5	480	397.7	480
Total Depreciation Expense - KIU	1,287,565		756,381		531,184
SWWC - Depreciation Expense Allocation	<u>92,779</u>		<u>54,805</u>		<u>37,974</u>
Total Depreciation Expense	1,380,344		811,186		569,158
CIAC Amortization Expense	<u>(385,259)</u>	331.4.C	<u>(130,008)</u>	360.2.C	<u>(255,251)</u>
Depreciation & Amortization Expense	995,085		681,178		313,907
Depreciation & Amortization Expense - Per Books	<u>851,478</u>		<u>579,841</u>		<u>271,637</u>
Depreciation & Amortization Expense Adjustment #3A	<u><u>143,607</u></u>		<u><u>101,337</u></u>		<u><u>42,270</u></u>

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Computation of Depreciation & Amortization Expense
For the Test Year Ended December 31, 2020

	<u>Combined Operations</u>	<u>Asset Class</u>	<u>Water Operations</u>	<u>Asset Class</u>	<u>Sewer Operations</u>
	\$		\$		\$
<u>Accumulated Depreciation</u>					
Land and Land Rights	0	303.2	0	353.6	0
Structures & Improvements	(5,496,994)	304.2	(3,262,294)	354.4	(2,234,700)
Wells	(36,553)	307.2	(36,553)	N/A	-
Water Treatment	(43,038)	N/A	0	355.4	(43,038)
Collections Sewers - Gravity	(7,653,315)	N/A	0	360.2	(7,653,315)
Collections Sewers - Force	(1,458,240)	N/A	0	361.2	(1,458,240)
Pumping Equipment	(903,918)	311.2	(789,899)	371.3	(114,019)
Aquifer Storage & Recovery (ASR) Equipment	(520,250)	330.4	(520,250)	N/A	0
Mains	(4,686,985)	331.4	(4,686,985)	N/A	0
Meter & Meter Installation	(62,573)	334.4	(62,573)	N/A	0
Fire Hydrants	(194,139)	335.4	(194,139)	N/A	0
Other Plant & Miscellaneous Equipment	(691,661)	339.4	(631,251)	389.4	(60,410)
Office Furniture & Equipment	(253,600)	340.5	(118,326)	390.7	(135,274)
Transportation Equipment	(381,059)	341.5	(186,880)	391.7	(194,179)
Tools, Shop, and Garage	(2,256)	343.5	(1,128)	393.7	(1,128)
Equipment - Meter	(210)	N/A	-	394.7	(210)
Communication Equipment	(798)	346.5	(399)	396.7	(399)
Miscellaneous Equipment	(1,304)	347.5	(652)	397.7	(652)
Impact Fees (Water Rights)	(1,711,451)	302.1	(1,711,451)	N/A	0
Total Accumulated Depreciation - KIU	<u>(24,098,344)</u>		<u>(12,202,780)</u>		<u>(11,895,564)</u>
SWWC - Accumulated Depreciation Allocation	<u>(215,831)</u>	N/A	<u>(127,491)</u>	N/A	<u>(88,340)</u>
Accumulated Depreciation	<u><u>(24,314,175)</u></u>		<u><u>(12,330,271)</u></u>		<u><u>(11,983,904)</u></u>
Accumulated Amortization of CIAC	9,082,364	331.4.C	2,887,289	360.2.C	6,195,075

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Computation of Income Taxes
For the Test Year Ended December 31, 2020

After Accounting & Pro Forma Adjustments			
	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Operating Revenues	9,617,316	7,363,713	2,253,603
Operating Expenses	8,302,262	6,568,768	1,733,494
Net Operating Income Before Taxes	1,315,054	794,945	520,109
Less: Annualized Interest Expense	515,459	415,484	99,975
Taxable Income - State	799,595	379,461	420,134
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	39,980	18,973	21,007
Less: State Income Taxes Per Books	(102,585)	(959,604)	857,019
State Income Tax Adjustment - Accounting and Pro Forma Adjustment #11	142,565	978,577	(836,012)
Taxable Income - Federal (Taxable Income - State less State Income Taxes)	759,615	360,488	399,127
Federal Income Taxes %	21.0%	21.0%	21.0%
Federal Income Taxes	159,519	75,702	83,817
Less: Federal Income Taxes Per Books	(490,598)	(4,589,162)	4,098,564
Federal Income Tax Adjustment - Accounting and Pro Forma Adjustment #10	650,117	4,664,864	(4,014,747)
After Settlement Proposed Adjustment			
	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Operating Revenues	10,232,316	7,978,713	2,253,603
Operating Expenses	8,308,466	6,574,972	1,733,494
Net Operating Income Before Taxes	1,923,850	1,403,741	520,109
Less: Annualized Interest Expense	515,459	415,484	99,975
Taxable Income - State	1,408,391	988,257	420,134
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	70,420	49,413	21,007
Less: State Income Taxes After Accounting & Pro Forma Adjustments	39,980	18,973	21,007
State Income Tax Adjustment - After Proposed Adjustment #25	30,440	30,440	0
Taxable Income - Federal (Taxable Income - State less State Income Taxes)	1,337,971	938,844	399,127
Federal Income Taxes %	21.0%	21.0%	21.0%
Federal Income Taxes	280,974	197,157	83,817
Less: Federal Income Taxes After Accounting & Pro Forma Adjustments	159,519	75,702	83,817
Federal Income Tax Adjustment - After Proposed Adjustment #24	121,455	121,455	0

Kiawah Island Utility, Inc.
Cash Working Capital Allowance
For the Test Year Ended December 31, 2020

After Accounting & Pro Forma Adjustments

	Combined	Water	Sewer
Operating Expenses	6,327,837	5,156,237	1,171,600
Less: Bad Debt Expense	0	0	0
Less: Purchased Water	<u>0</u>	<u>0</u>	<u>0</u>
Net Operating Expenses	6,327,837	5,156,237	1,171,600
Allowable Rate	<u>12.50%</u>	<u>12.50%</u>	<u>12.50%</u>
Computed Cash Working Capital	790,980	644,530	146,450
Less: Cash Working Capital - Application Per Books	<u>861,095</u>	<u>674,557</u>	<u>186,538</u>
Cash Working Capital Adjustment #19	<u>(70,115)</u>	<u>(30,027)</u>	<u>(40,088)</u>

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Weighted Cost of Capital
For the Test Year Ended December 31, 2020

Combined Operations

Description	Capital Structure	Ratio	Per Application				After Accounting and Pro forma Adjustments				After Settlement Proposed Adjustment			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 19,669,858	46.81%	\$ 10,865,771	4.57%	2.14%	\$ 496,566	\$ 11,279,188	4.57%	2.14%	\$ 515,459	\$ 11,279,188	4.57%	2.14%	\$ 515,459
Members' Equity	22,351,064	53.19%	12,346,729	3.49%	1.86%	431,511	12,816,492	4.68%	2.49%	600,096	12,816,492	8.69%	4.62%	1,113,908
Totals	\$ 42,020,922	100.00%	\$ 23,212,500		4.00%	\$ 928,077	\$ 24,095,680		4.63%	\$ 1,115,555	\$ 24,095,680		6.76%	\$ 1,629,367

Water Operations

Description	Capital Structure	Ratio	Per Application				After Accounting and Pro forma Adjustments				After Settlement Proposed Adjustment			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 19,669,858	46.81%	\$ 8,640,139	4.57%	2.14%	\$ 394,854	\$ 9,091,553	4.57%	2.14%	\$ 415,484	\$ 9,091,553	4.57%	2.14%	\$ 415,484
Members' Equity	22,351,064	53.19%	9,817,753	4.16%	2.21%	408,895	10,330,693	2.76%	1.46%	284,786	10,330,693	7.62%	4.05%	787,087
Totals	\$ 42,020,922	100.00%	\$ 18,457,892		4.35%	\$ 803,749	\$ 19,422,246		3.60%	\$ 700,270	\$ 19,422,246		6.19%	\$ 1,202,571

Sewer Operations

Description	Capital Structure	Ratio	Per Application				After Accounting and Pro forma Adjustments				After Settlement Proposed Adjustment			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 19,669,858	46.81%	\$ 2,225,632	4.57%	2.14%	\$ 101,711	\$ 2,187,634	4.57%	2.14%	\$ 99,975	\$ 2,187,634	4.57%	2.14%	\$ 99,975
Members' Equity	22,351,064	53.19%	2,528,976	0.89%	0.47%	22,617	2,485,800	12.68%	6.74%	315,310	2,485,800	13.15%	6.99%	326,821
Totals	\$ 42,020,922	100.00%	\$ 4,754,608		2.61%	\$ 124,328	\$ 4,673,434		8.88%	\$ 415,285	\$ 4,673,434		9.13%	\$ 426,796